HELP ?

The Asian financial crisis and the virtues of democracy

Challenge; Armonk; Jul/Aug 1999; Dani Rodrik;

Volume: 42
Issue: 4
Start Page: 44-59
ISSN: 05775132
Subject Terms: Studies
Democracy
Currency devaluation
Financial services
Economic policy
Policy making
Conflict resolution
Studies
Democracy
Currency devaluation
Financial services
Economic policy
Policy making
Conflict resolution
Classification Codes: **9130**: *Experimental/theoretical treatment*
9550: *Public sector organizations*
1130: *Economic theory*
8100: *Financial services industry*
9179: *Asia & the Pacific*
Geographic Names: South Korea
Thailand
Southeast Asia

Abstract:
In 1996, five Asian economies (South Korea, Indonesia, Malaysia, Thailand, and the Philippines) received net private capital inflows amounting to $93 billion. One year later (in 1997), they experienced an estimated outflow of $12.1 billion (IIF 1998) a turnaround in a single year of $105 billion, amounting to more than 10% of the combined GDP of these economies. One lesson of the crisis is that international capital markets do a poor job of discriminating between good and bad risks. Second, the crisis has demonstrated that trade orientation per se has little to do with the propensity to be hit with severe liquidity problems. Third, domestic institutions of conflict management are critical in containing the adverse economic consequences of the initial shock. Even though democratic institutions developed relatively recently in Thailand and South Korea, they helped these two countries adjust to the crisis in a number of ways. First, they facilitated a smooth transfer of power from a discredited set of politicians to a new group of government leaders. Second, democracy imposed mechanisms of participation, consultation, and bargaining, enabling policymakers to fashion the consensus needed to undertake the necessary policy adjustments decisively.

Full Text:

[Headnote]

Why did democratic institutions help Thailand and South Korea manage the crisis?

In 1996, five Asian economies (South Korea, Indonesia, Malaysia, Thailand, and the Philippines) received net private capital inflows amounting to $93 billion. One year later (in 1997), they experienced an estimated outflow of $12.1 billion (IIF 1998), a turnaround in a single year of $105 billion, amounting to more than 10 percent of the combined gross domestic product (GDP) of these economies. By 1998, three of these economies (Indonesia, Thailand, and South Korea) had become mired in a severe economic crisis, the magnitude of which would have seemed inconceivable just months before even to the most knowledgeable and insightful observers of the region.

Three Lessons of the Asian Crisis

One lesson of the crisis is that international capital markets do a poor job of discriminating between good and bad risks. It is hard to believe that there was much collective rationality in investor behavior before and during the crisis: Financial markets got it badly wrong either in 1996, when they poured money into the region, or in 1997, when they pulled back en masse. The implication is that relying excessively on liquid, short-term capital (as all of the three worst-affected countries did) is a dangerous strategy.

Second, the crisis has demonstrated that trade orientation per se has little to do with the propensity to be hit with severe liquidity problems. The Asian economies most affected by the reversal in capital flows were among the most outward-oriented in the world, routinely pointed out as examples for other countries to follow. The determinants of the crisis-as with the debt crisis of 1982 and the Mexican peso crisis of 1994-were financial and macroeconomic. Trade and industrial policies were, at best, secondary factors.1

In keeping with the general theme of this chapter, a third lesson of the crisis is that domestic institutions of conflict management are critical in containing the adverse economic consequences of the initial shock. At the onset of the crisis, it seemed that authoritarian governments would have a better chance of preventing the social explosions that the crisis might create, while "messy" democracies would suffer. In fact, many critics of Western-style liberal democracy viewed the Thai and South Korean troubles in the early stages of the crisis-and the apparent Indonesian resolve-as an illustration of the economic superiority of governments based on so-called Asian values. The outcome has been quite the opposite. Indonesia, an ethnically divided society ruled by an autocracy, eventually descended into chaos, with a reduction in GDP predicted at 20 percent or more. South Korea and Thailand's democratic institutions, and their practices of consultation and cooperation among social partners, made these countries much more adept at generating the requisite policy adjustments. Although neither of the two economies was out of the woods as of late 1998, their experience has demonstrated the importance of institutions, and of democratic institutions in particular, in dealing with external shocks.

Why Thailand and South Korea Coped Well

Even though democratic institutions developed relatively recently in Thailand and South Korea, they helped these two countries adjust to the crisis in a number of ways.2 First, they facilitated a smooth transfer of power from a discredited set of politicians to a new group of government leaders. Second, democracy imposed mechanisms of participation, consultation, and bargaining, enabling policymakers to fashion the consensus needed to undertake the necessary policy adjustments decisively. Third, because democracy provides for institutionalized mechanisms of "voice," the South Korean and Thai institutions obviated the need for riots, protests, and other kinds of disruptive actions by affected groups, and, furthermore, undercut support for such behavior by other groups in society.

In Thailand, Prime Minister Chavalit Yongchaiyudh resigned on November 6, 1997, shortly after "several hundred white-collar workers led demonstrations in Bangkok" (Bell 1998), and one month after the adoption of a new, anticorruption constitution. Three days later, an eight-party coalition led by Chuan Leekpai managed to obtain a majority of votes in the parliament. News articles about Thailand abound with stories illustrating the willingness of the Thai people to give the new government the benefit of the doubt in the belief that the government has their best interest in mind. Chuan's new finance minister, Tarrin Nimmanahaeminda, related a story to the press about a letter he received from "a young Thai girl wishing him well in his efforts to turn around the economy and enclosing a 20-baht note that she had taken from her father's wallet-her contribution toward paying off the International Monetary Fund" (Rahul 1998, 21). The government savings bank started a program under which people can open accounts designed to ameliorate the situation for those particularly hard-hit by the crisis-a campaign referred to as "Thais Helping Thais" (The Economist 1998a, 38). In a more nationalistic effort, the government has also tried to cushion the employment loss to its own citizens by expelling thousands of foreign workers (particularly the large number of Burmese working there), to demonstrate that "the government is doing its best to protect the livelihoods of its own people" (ibid., 38). As instability has grown in Indonesia, Thailand's currency has strengthened. The IMF has suggested that Thailand might emerge as the leader in recovery from the "Asian flu." Thailand's relative success thus far in weathering this economic crisis has come, in Chuan's words, from "the utility of a democratic process that gives people the right to choose a government they believe can solve their problems" (Larimer, McCarthy, and Chuan 1998,16).

In South Korea, Kim Dae Jung, veteran opposition leader of the National Congress for New Politics, ended the former ruling party's half-century of political dominance on December 19, becoming the first opposition candidate ever elected president in South Korean history. As in Thailand, the transition eased political tensions and brought in a new team that was not tainted or constrained by previous policies and commitments. Kim has cultivated an alliance with the working classes and the poor and made a strong commitment to furthering a clean democracy. To this end, he has made an effort to make sure that the people of South Korea feel that their voices are being heard. In January 1998 he began hosting "town meetings," in much the same manner as President Bill Clinton does in the United States, increasing the accessibility of the president to the people (Cummings 1998, 15). Kim has also been working with labor unions on the expansion of social safety nets in the form of welfare programs and increased opportunities for job training for the unemployed.

Kim was able to hold off labor unrest for an extended period by carefully discussing all potential changes and plans for restructuring with union leaders. In fact, some threatened strikes, such as one by the Korean Confederation of Trade Unions (KCTU) planned for mid-February 1998 to protest a proposed labor reform law (to end lifetime employment by allowing firms to lay off workers in certain circumstances), were called off by the unions themselves, so as not to "endanger the nation's fragile economic recovery" (Financial Times 1998, 2). By mid-April 1998, as the effects of the layoffs started to be felt, strike action increased as well. Despite efforts by the government to negotiate with unions, a nationwide strike called on May 27, 1998, by workers demanding more job security brought the South Korean stock market to its lowest point in eleven years, a symptom of the mounting tension over the country's labor troubles. However, it is estimated that less than 20 percent of the trade unions' members have taken part in the strike, and it is also the case that, at least as of late 1998, the labor action had remained peaceful. South Korea has since begun a second round of labor talks (but without the KCTU). Meanwhile, South Korean citizens have hurried to turn in their gold jewelry to boost the foreign reserves, and businesses are conserving electricity by allowing elevators to stop on alternate floors only.

Why Indonesia Coped Poorly

This sense of shared sacrifice and compromise has been conspicuous in Indonesia by its absence. The financial difficulties spawned by the economic crisis were exacerbated by President Suharto's unwillingness to relinquish power, the lack of voice mechanisms (such as independent parties and free trade unions), and a generalized sense that the costs of the crisis would be passed on to the workers and the poor. Anti-Suharto sentiment welled up and exploded in the form of riots, looting, and other violence, some of it aimed at the country's ethnic Chinese minority. To divert blame from the government, some officials apparently incited ethnic tensions. According to one human rights group, instead of trying to prevent ethnic unrest, some "senior officials . . . have tried to deflect blame for the economic crisis on to prominent members of the ethnic Chinese community" (cited in The Economist 1998b, 46). A student demonstration on May 12,1998, during which soldiers shot and killed six protesters, snowballed into massive protests, culminating in Suharto's reluctant departure from power. The outgoing president handpicked his successor, however, one of his closest associates, B.J. Habibie. Despite Habibie's efforts to distance himself from Suharto's regime and to appear as democratically reformist as possible, the mood remained volatile as of late 1998.

Discussion

The conventional view among economists and many political scientists is that reforms of the type that economies in East Asia (and, before them, in Latin America and elsewhere) were called on to undertake require insulated, autonomous executives who can act speedily and decisively. In other words, democracy, even when not hostile to reform, complicates it. The systematic evidence from the 1970s and 1980s, as well as the more recent Asian experience, suggests that the opposite is closer to the truth.3

The sweeping market-oriented reforms that Latin American countries undertook during the past decade were the product mostly of democratic governments. This has prompted scholars of the region to reevaluate the relationship between democratic politics and economic management, finding much more good in democracy than was indicated in the earlier literature (Dominguez 1998, Hagopian 1998). The experience of the former socialist economies has been similar, suggesting that democratization may be a complement to speedy stabilization and reform (Aslund, Boone, and Johnson 1996). An interesting paper by Joel S. Hellman (1998) concludes: "Postcommunist systems with a higher level of political participation and competition [e.g., Poland and the Czech Republic] have been able to adopt and maintain more comprehensive economic reforms than states largely insulated from mass politics and electoral pressure [e.g., Ukraine and Belarus]" (pp. 233-34). In Hellman's view, political systems where power is concentrated allow "winners" to stop reform in its tracks so as to keep access to the rents that partial reforms create. Broader political participation and competition acts as a counterweight to this tendency.4

In Representative Government (1861), John Stuart Mill described the advantages of the democratic form of government (in comparison to dictatorships) in terms that remain highly relevant. One of the special merits of democratic participation in public affairs, he wrote, is that it makes the citizen more willing to see others' viewpoints, to compromise, and to cooperate. The citizen

is called upon, while so engaged, to weigh interests not his own; to be guided, in case of conflicting claims, by a rule other than his private partialities; to apply, at every turn, principles and maxims that have for their reason of existence the common good. And he usually finds, associated with him in the same work, minds more familiarized than his own with these ideas and operations, whose study it will be to supply reasons to his understanding, and stimulation to his feeling for the general interest. He is made to feel himself one of the public, and whatever is for their benefit to be for his benefit. Where this school of public spirit does not exist, scarcely any sense is entertained that private persons, in no eminent social situation, owe any duties to society, except to obey the laws and submit to the government. There is no unselfish sentiment of identification with the public. Every thought or feeling, either of interest or of duty, is absorbed in the individual and in the family. The man never thinks of any collective interest, of any objects to be pursued jointly with others, but only in competition with them, and in some measure at their expense. A neighbor, not being an ally or an associate, since he is never engaged in any common undertaking for joint benefit, is therefore only a rival. Thus even private morality suffers, while public is actually extinct.5

The passage encapsulates well the contrasting ways in which the citizenry reacted to the exigencies of adjustment in Indonesia on the one hand, and in Thailand and South Korea on the other.6

Improving the Institutions of Conflict Management

The world market is a source of disruption and upheaval as much as it is an opportunity for profit and economic growth. Without the complementary institutions at home-in the areas of governance, judiciary, civil and political liberties, social insurance, and education-one gets too much of the former and too little of the latter. The weakness of the domestic institutions of conflict management was the Achilles heel of the development strategy pursued in Latin America, the Middle East, and elsewhere, and this is what made countries in these regions so susceptible to the external shocks of the 1970s.

This weakness persists. Reforms in the areas of macroeconomic policy, trade policy, deregulation, and privatization have not been matched by deeper reforms of political institutions, bureaucracies, judiciaries, and social safety nets. As Jorge I. Dominguez argues with reference to Latin America:

Popular democratic representation requires a well-organized and articulate labor movement, capable of functioning in a market economy and standing up for the rights of workers. Democratic politics requires contestation between organized forces; democracy would be wounded if there were no appropriate counterparts to business power.... Though the reasons vary, the role of parliaments and the quality of executivelegislative relations still widely fail to foster the consolidation of democracy ... Compared to the national legislatures of Brazil, Ecuador, Colombia, and Honduras, the U.S. Congress is a model of democratic responsiveness, party discipline, member responsibility, policy attention, and coherence. [In Brazil and Ecuador,] as many as a third of the legislators cross the aisle during one term of office.... Presidentialismrule by decree-is the natural offspring of such practices.... The turn towards the market [in Latin America] has also coincided with spectacular cases of corruption that led to the impeachments of presidents [Fernando] Collor in Brazil and [Carlos Andres] Perez in Venezuela. (1997, 106-12)

And, of course, the discrediting of Carlos Salinas de Gortari in Mexico.

Meanwhile, the world economy has hardly become a safer place-ask the Thais or the Indonesians if you have any doubt. This leaves developing countries highly vulnerable. Without an internal strategy of institutional reform to complement the external strategy of opening up, they risk vulnerability to the kinds of protracted crises from which many of them have begun to recover only recently

There are at least three components of such an institutional reform strategy: improving the credibility of the state apparatus, improving mechanisms of voice, and improving social safety nets and social insurance.

Improving the Credibility of the State Apparatus

There has been much progress on the macroeconomic policy front in some countries, especially in Latin America. But now this credibility has to be extended beyond the macroeconomic field. There is a great need to improve the quality of the judiciary and of the public bureaucracy, and to root out corruption. The state cannot play the role of honest broker in mediating social conflict-as it does so often in East Asia-if it is not perceived as trustworthy and competent.

Improving Mechanisms of Voice

There is a need to improve the channels through which nonelites (indigenous peoples, workers, and farmers) can make themselves heard and to bring them (or their representatives) into the decision-making councils. The top-down, technocratic style that is well suited to macroeconomic stabilization is not well suited to the challenges of the second stage of reform. These later reforms will not achieve popular legitimacy unless they are perceived to be the result of a broader deliberation at the national level. Looked at from this perspective, a strong, widely based trade union movement is a good thing, not a bad thing. Having strong, disciplined political parties is a good thing, not a bad thing. A strong executive is also good, but even better when it uses its autonomy to reach out and strike bargains and alliances with the popular sectors.

Improving Social Safety Nets and Social Insurance

It has now become commonplace to point out that marketoriented reforms require social safety-nets to prevent individuals from falling through the cracks as economic change unfolds. Social safety nets are, in fact, part and parcel of modern capitalism, and an important reason for its endurance. As Sanford Jacoby emphasizes, "over the last one hundred years, modern societies have developed a diverse set of institutions for pooling labor-market risk and indemnifying against it" (1998, 1).

Yet it is not sufficiently appreciated what an important role social insurance has played in those countries that were most successful in integrating themselves into the world economy in the postwar period (or reintegrating themselves, as in the case of Western Europe). In Western Europe, the idea of providing social protection in order to insulate and cushion broad segments of society from market risks-particularly those risks of external origin-was (and to some extent remains) an ingrained habit. This is evident in the welfare state that has grown during the postwar era and in the huge growth in income transfers. It is only a mild exaggeration to say that the European welfare state is the flip side of the open economy (Rodrik 1997b). In East Asia, the same function has been performed not by social programs and income transfers but by a combination of enterprise policies (such as lifetime employment and the provision of social services), extensive product and labor market regulations (which slowed down the pace of change), and a much more gradual, controlled type of external liberalization.

As is now evident, the approaches in Europe and East Asia have their problems. However, it is clear that the provision of social insurance is an important component of market reforms-it cushions the blow of liberalization among those most severely affected, it helps maintain the legitimacy of these reforms, and it averts backlashes against the distributional and social consequences of integration into the world economy.

There is no how-to manual for designing the appropriate institutions of conflict management, especially where the representation of "voice" is concerned. The issues are complex, and it is a fair bet that we will need a considerable amount of institutional innovation and experimentation before we develop strong intuitions about the kinds of mechanism that have to develop. From the perspective of this chapter, however, the key is to recognize that institutions of conflict management are a necessary complement to openness. In the absence of such institutions, openness is likely to foster domestic social conflicts that not only will prove damaging in their own right but also will be detrimental to economic growth in the long run.

Conclusion

In the book from which this article is excerpted, I have argued that the development community has internalized the wrong lessons from the experience of countries in Latin America and elsewhere that adopted the import substitution industrialization (ISI) strategy. The correct interpretation of this experience goes something like this:

First, ISI worked rather well for about two decades. It brought unprecedented economic growth to scores of countries in Latin America, the Middle East, and North Africa, and even to some in sub-Saharan Africa.

Second, when the economies of these same countries began to fall apart in the second half of the 1970s, the reasons had little to do with ISI policies per se or the extent of government interventions in the microeconomic sphere. Countries that weathered the storm were those in which governments undertook the appropriate macroeconomic adjustments (in the areas of fiscal, monetary, and exchange-rate policy) rapidly and decisively.

Third, and more fundamentally, success in adopting these macroeconomic adjustments was linked to deeper social determinants. It was the ability to manage the domestic social conflicts triggered by the turbulence of the world economy during the 1970s that made the difference between continued growth and economic collapse. Countries with deeper social divisions and weaker institutions of conflict management experienced greater economic deterioration in response to the external shocks of the 1970s.

Taken together, these points provide an interpretation of recent economic history that is at odds with much current thinking. By emphasizing the importance of social conflicts and institutions-at the expense of trade strategy and industrial policies-they also suggest quite a different perspective on development policy. If I am right, the main difference between Latin America, say, and East Asia was not that the former remained closed and isolated while the latter integrated itself with the world economy The main difference was that Latin America did a much worse job of dealing with the turbulence generated by the world economy. The countries that got into trouble were those that could not manage openness, not those that were insufficiently open.

Hence, improving the quality of institutions of conflict management is a critical complement to openness. These institutions help adjudicate distributional contests within a framework of rules and accepted procedures-that is, without open conflict and hostilities. Democratic institutions, an independent and effective judiciary, an honest bureaucracy, and institutionalized modes of social insurance are among the most significant of conflict-management institutions. I have shown in this chapter how such institutions have had demonstrable benefits-and in the case of countries lacking them, severe adverse effects-in terms of economic performance subsequent to external shocks.

The recent Asian crisis provides further support for this perspective, and once again highlights the important role played by institutions of conflict management. In South Korea and Thailand, where new democratic institutions provide for mechanisms of voice and contestation, political systems have turned out to be better-at least so far-at delivering adjustment policies than in Indonesia, where a personal dictatorship proved to be the recipe for a descent into chaos.

Conflict management institutions play a far more important role in generating the capacity to handle external turbulence than conventional economic analysis has generally allowed. The evidence reveals a certain number of "stylized facts" regarding which types of social and political arrangements work better than others, but clearly we need to learn a lot more. More research, particularly of a cross-disciplinary kind, is needed to sharpen understanding of these links.

[Footnote]

Notes

[Footnote]

1. This point is disputed by many, and goes against the official view of the International Monetary Fund (Fischer 1998). The argument that "structural" aspects of the East Asian model were not at the root of the crisis is well put by Stiglitz (1998) and Radelet and Sachs (1998). This is not to say that these economies did not have structural weaknesses, in particular an overreliance on governmental steering of the economy that had probably outlived its usefulness. But, as Stiglitz points out, financial crises break out with some regularity in economies ranging from Scandinavia to the United States, regardless of form of economic management and standards of transparency.
2. South Korea was not a democracy in 1980, and its relatively smooth adjustment at the time may call into question the emphasis I place on the importance of democratic institutions in 1997. But South Korea had important advantages along other dimensions I have also stressed: a high-quality bureaucracy, a high degree of rule of law, relatively limited income inequality, and virtually no ethnic or linguistic cleavages.
3. The voluminous empirical literature on the long-run consequences of political democracy for economic growth has generally yielded ambiguous results (Bhalla forthcoming; Przeworski and Limongi 1993; Helliwell 1994; Barro 1996). However, more recent studies show that democracies produce a better balance between risk and reward; that is, the level of aggregate economic instability tends to be much lower under democracies. See Rodrik (1997b), Chandra (1998), and

[Footnote]

Quinn and Woolley (1998). The latter set of findings is consistent with the systematic evidence presented earlier on the superior performance of democracies when confronted with external shocks, as well as with the recent evidence from East Asia.
4. There is also some recent econometric evidence suggesting that public investment projects yield higher economic returns in environments with greater civil liberties and democracy (Pritchett and Kaufmann 1998).
5. From chapter 3 of Mill (1861), taken from http:/ /english-www.hss.cmu.edu/ Philosophy/mill-representative-govt.txt. I owe the reference to this passage to Daniel Bell (1998).

[Footnote]

6. One can reinterpret Mill's discussion also in terms of social capital, a term that is currently much in vogue. Mill's argument is that democracy promotes greater social capital-the capacity to undertake projects for the collective good-by establishing connections among individuals and binding them into civil society. For a recent paper that provides some evidence on "social capabilities" and social capital in fostering growth, see Temple and Johnson (1998).

[Reference]

For Further Reading

[Reference]

"Asian Pride: Dollars and Dolours." 1998a. The Economist (January 24): 38.
Aslund, Anders; Peter Boone; and Simon Johnson. 1996. "How to Stabilize? Lessons from Post-Communist Countries." Brookings Papers on Economic Activity 1: 217-91.
Barro, Robert J. 1996. "Determinants of Economic Growth: A Cross-Country Empirical Study." NBER Working Paper 5698. Cambridge, MA: National Bureau for Economic Research.

[Reference]

Bell, Daniel A. 1998. "After the Tsunami: Will Economic Crisis Bring Democracy to Asia?" New Republic (March 9): 28.
Bhalla, Surjit S. Forthcoming. "Freedom and Economic Growth:A Virtuous Cycle?" In Democracy's Victory and Crisis: Nobel Symposium 1994, ed. Axel Hadenius. New York: Cambridge University Press.
Chandra, Siddharth. 1998. "On Pillars of Democracy and Economic Growth." Graduate School of Public and International Affairs,

University of Pittsburgh.
Cummings, Bruce. 1998. "South Korea's Challenge." In These Times 22, no. 6 (February 22):15.

[Reference]

Dominguez, Jorge I. 1998. "The Relationship Between Democracy and Open Markets." Harvard University.
-. 1997. "Latin America's Crisis of Representation." Foreign Affairs (January/ February): 100-113.
Fischer, Stanley. 1998. "In Defense of the IMF." Foreign Affairs (July/August): 103-6.

[Reference]

Hagopian, Frances. 1998. "Negotiating Economic Transitions in Liberalizing Polities: Political Representation and Economic Reform in Latin America." Harvard University, Weatherhead Center for International Affairs Working Paper Series no. 98-5.
Helliwell, John. 1994. "Empirical Linkages Between Democracy and Economic

[Reference]

Growth." British Journal of Political Science 24: 225-48.
Hellman, Joel S. 1998. "Winners Take All: The Politics of Partial Reform in Postcommunist Transition." World Politics 50, no. 2 (January): 203-34.
Institute of International Finance (IIF). 1998. "Capital Flows to Emerging Market Economies" (January 29).
Jacoby, Sanford. 1998. "Risk and the Labor Market: Societal Past as Economic Prologue." UCLA Institute of Industrial Relations Working Paper No. 98-02.
Larimer, Tim; Terry McCarthy; and Chuan Leekpai.1998. "Chuan: 'The Rich People Can Fend for Themselves."' Time (March 30): 16.

[Reference]

Pritchett, Lant, and Daniel Kaufmann. 1998. "Civil Liberties, Democracy, and the Performance of Government Projects." Finance & Development (March): 26-29.
Przeworski, Adam, and Fernando Limongi. 1993. "Political Regimes and Economic Growth." Journal of Economic Perspectives 7 (summer): 51-69.
Quinn, Dennis P., and John T. Woolley. 1998. "Democracy and National Economic Performance: The Search for Stability." School of Business, Georgetown University.

[Reference]

Radelet, Steve, and Jeffrey Sachs. 1998. "The Onset of the Asian Financial Crisis." Harvard University.
Rahul, Jacob. 1998. "Back from the Dead." Time (February 16): 21.
Rodrik, Dani. 1997a. Has Globalization Gone Too Far? Washington, DC: Institute for International Economics.
-.1997b. "Democracy and Economic Performance." Harvard University.
Stiglitz, Joseph.1998. "Knowledge and Development: Economic Science, Economic Policy, and Economic Advice." Paper presented at the Annual World Bank Conference on Development Economics, Washington, DC, April 20-21, 1998.
Temple, Jonathan, and Paul A. Johnson. 1998. "Social Capability and Economic Growth." Quarterly Journal of Economics 113 (August): 965-90.
"Union Calls Off General Strike." 1998. Financial Times (London) (February 14): 2.

[Author note]

DANI RODRIK is professor of international political economy at Harvard University and author of Has Globalization Gone Too Far? (Washington, DC: Institute for International Economics, 1997). This article is excerpted from chapter 4, "Getting Recent Economic History Straight," in Dani Rodrik, The New Global Economy and Developing Countries: Making Openness Work (Overseas Development Council, 1999).
